

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

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USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY VIENNA

AMEMBASSY OTTAWA

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

C O N F I D E N T I A L PARIS 04050

USDOC FOR BEWT/USSR

E.O. 11652: GDS

TAGS: ETRD, EEWT, EFIN, FR, UR

SUBJ: FRENCH EXPORT CREDITS TO USSR

REFS: (A) MOSCOW T-17650, (B) PARIS T-33686

L. BEGIN SUMMARY: TWO LETTERS OF AGREEMENT CONCERN-
ING THE TERMS OF FRENCH EXPORT CREDITS TO THE SOVIET

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UNION WERE SIGNED IN MID-JANUARY DURING SOVIET

DEPUTY FOREIGN TRADE MINISTER ALKHIMOV'S VISIT TO PARIS.
THE AGREEMENTS SET THE INTEREST RATES WHICH APPLY TO
THE FIVE YEAR LINE OF CREDIT ESTABLISHED IN THE
1974 FRANCO-SOVIET RAMBOUILLET ACCORDS. END SUMMARY.

2. A FRENCH OFFICIAL IN THE MINISTRY OF FOREIGN TRADE
(DREE) TOLD EMBOFF THAT TWO LETTERS OF AGREEMENT WERE
SIGNED DURING SOVIET DEPUTY FOREIGN TRADE MINISTER
ALKHIMOV'S VISIT TO PARIS IN MID-JANUARY. ONE SETS THE
INTEREST RATES WHICH APPLY TO CONTINUING FRENCH EXPORT
CREDITS ESTABLISHED BY THE FIVE YEAR 1974 FRANCO-SOVIET
RAMBOUILLET ACCORDS. THE OTHER AGREEMENT SETS THE
GROUND RULES FOR APPLYING THE CREDIT TERMS TO SOVIET
PURCHASES FOR THE IRANIAN-SOVIET FRENCH GAS PIPELINE
PROJECT.

3. THE INTEREST RATES COVERING SMALL TO MEDIUM SIZED
PROJECTS (UP TO 425 MILLION FRANCS) WERE SET AT 7.55
PER CENT. (DREE SOURCE SAID SOVIETS HAD BARGAINED HARD
FOR 7.40 PER CENT WHICH THE FRENCH REFUSED TO ACCEPT.)
ALTHOUGH NORMALLY RENEGOTIATED ON AN ANNUAL BASIS, THE
RATE WILL APPLY UNTIL JUNE 30, 1977. THE PREFERENTIAL
INTEREST RATE FOR LARGER PROJECTS OF OVER 425 MILLION
FRANCS WAS SET AT 7.20 PER CENT AND WILL ALSO REMAIN IN
EFFECT UNTIL JUNE 30, 1977 WHEN BOTH INTEREST RATE AGREE-
MENTS WILL BE RENEGOTIATED. (DREE SOURCE REQUESTED EMB
HANDLE ABOVE DATA ON STRICTLY CONFIDENTIAL BASIS.)

4. CONTRARY TO DREE EXPECTATIONS, REPORTED IN REFS, THE
SOVIETS DID NOT MAKE ANY NEW REQUESTS FOR NEW CREDITS
BEYOND THOSE ALREADY AGREED UPON IN THE RAMBOUILLET
ACCORDS. ALHKIMOV DESCRIBED AS "MISINFORMED" SUGGES-
TIONS MADE IN NOVEMBER 1975 BY SOVIET OFFICIALS THAT THE
SOVIETS WOULD BE REQUESTING ADDITIONAL CREDITS.

5. IN SETTING THE GROUND-RULES FOR CREDITS COVERING
SOVIET PURCHASES RELATING TO THE FRENCH-SOVIET-IRANIAN
NATURAL GAS PROJECT THE LETTER OF AGREEMENT REQUIRES
THE SOVIETS TO ESTABLISH PURCHASING PROGRAMS TWO YEARS
IN ADVANCE WHICH WILL CONSOLIDATE PURCHASES INTO
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GROUPINGS. THE FRENCH AGREED TO ACCORD THE LARGE PROJECT
PREFERENTIAL 7.20 PER CENT RATE TO THE GAS PROJECT PUR-
CHASES ONLY IF THE PURCHASES WERE CONSOLIDATED INTO
GROUPINGS WHICH EXCEEDED 425 MILLION FRANCS AND WHICH
HAD BEEN SPECIFICALLY APPROVED IN ADVANCE BY THE GOF.
UNDER THE LETTER OF AGREEMENT, THE GOF IS ACCORDED ONE
MONTH TO REVIEW THE CONSOLIDATED PURCHASE AND IF AP-
PROVED THE SOVIETS ARE OBLIGED TO BEGIN PURCHASES WITHIN

TWO MONTHS OF THE APPROVED DATE. THE PURCHASES MUST THEN BE COMPLETED WITHIN A TIME FRAME OF FIVE MONTHS, OTHERWISE THE HIGHER INTEREST RATES WILL APPLY. THE DREE OFFICIAL SAID THE PURPOSE OF THE AGREEMENT IS TO PREVENT THE SOVIETS FROM HAPHAZARDLY APPLYING THE PREFERENTIAL LOWER RATE TO NUMEROUS UNRELATED SMALL PURCHASES OF SOMETIMES BASIC COMMODITIES, (HE MENTIONED CEMENT AND IRON AND STEEL PRODUCTS), WHICH WOULD BE DIFFICULT FOR THE GOF TO MONITOR AS A PROJECT ENTITY. RUSH

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